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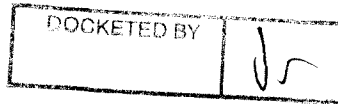
ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

NOV 01 2000

CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER



IN THE MATTER OF THE APPLICATION OF
THE AGUA FRIA WATER DIVISION OF
CITIZENS COMMUNICATIONS COMPANY
FOR AN ACCOUNTING ORDER
AUTHORIZING A HOOK-UP FEE FOR
RECOVERY OF DEFERRED CENTRAL
ARIZONA PROJECT EXPENSES AND FOR
RELATED ACCOUNTING TREATMENT

DOCKET NO. E-01032B-00-0205

REPLY TO STAFF TESTIMONY

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The Agua Fria Division ("Agua Fria") of Citizens Communications Company ("Citizens" or "Company") submits this Reply to the Staff Testimony filed in this matter. Agua Fria requests that the Hearing Division issue a proposed order in this matter for Commission consideration on an expedited basis without a hearing. Citizens has discussed this procedure with Staff and it agrees the matter should be handled on this basis.

I. BACKGROUND

Since 1985, Citizens has been incurring and paying holding charges (initially referred to in related pleadings as "subcontract charges", and now as "municipal and industrial" or "M&I capital costs") to the Central Arizona Water Conservation District ("CAWCD") to retain the rights to use Central Arizona Project ("CAP") water for the Company's current and future customers in Sun City, Sun City West and Agua Fria.

On August 31, 1994, the Arizona Corporation Commission ("Commission") issued Decision No. 58750 approving the Company's request for deferral accounting treatment of the

1 M&I capital costs paid. On May 7, 1997, the Commission issued Decision No. 60172, applicable
2 to Citizens' Agua Fria Division, and Sun City West and Sun City Water subsidiaries, reaffirming
3 deferral accounting authority for M&I capital costs paid, and finding that Citizens' decision to
4 obtain CAP water allocations was prudent. The Commission's order stated that recovery of CAP
5 costs would be allowed when there was a definitive plan for CAP water use and the water was
6 actually being taken.

7 In October 1998, Sun City West and Sun City Water, filed a joint application to recover
8 their deferred CAP M&I capital costs via a "groundwater savings fee" in the form of a customer
9 surcharge. A key element of the Company's application was the immediate delivery of the entire
10 CAP water allotment to the existing Maricopa Water District ("MWD") Groundwater Savings
11 Facility ("GSF"). The customer surcharge requested by Citizens reflected its Commission-
12 allowed rate of return and the amortization of the existing CAP M&I capital cost deferral
13 balances over a term of forty-two months. In its Decision No. 62293, issued on February 1, 2000,
14 the Commission found that the requirements of Decision No. 60172 for recovery of the deferred
15 costs were satisfied by the Sun City subsidiaries. As more fully explained later herein, the
16 Commission's order, however, reflected an amortization period of sixty months, and a rate of
17 return on the deferral balance equal to only one-half of the existing allowed rate.

18 On March 29, 2000, Citizens submitted a tariff application to the Commission seeking
19 approval for the implementation of CAP hook-up fees for recovery of deferred CAP M&I capital
20 costs paid by Agua Fria, and accounting approval for the continuing deferral of the portion of
21 future CAP M&I capital charges relating to CAP water not yet being taken. Consistent with the
22 previous application by Sun City West and Sun City Water, the Company's request reflected a
proposed recovery based on its current authorized rate of return. The Agua Fria application,

1 however, differed in several respects. First, deferred CAP M&I capital costs were to be
2 recovered in the form of a hook-up fee assessed to builders and developers, rather than
3 consumers. Second, the proposed hook-up fees reflected a ten-year phase-in of CAP water
4 delivery to the MWD GSF. Finally, the accounting model underlying the requested hook-up fees
5 was developed to assure there was no possibility of the Company earning a return on the deferred
6 balance greater than its authorized rate. To the extent that new customer hook-ups occur more
7 rapidly than are currently forecasted, the rate of amortization of deferred CAP M&I capital costs
8 will be accelerated. The imposition of hook-up fees would cease at the completion of cost
9 recovery.

10 **II. STAFF FILING**

On October 12, 2000 Staff testimony containing the following recommendations:

- 11 1. The use of hook-up fees to recover deferred CAP M&I capital costs is
12 appropriate.
- 13 2. The authorized hook-up fees should be \$127 for age-restricted dwellings
14 and commercial buildings, and \$218 for conventional residential housing
15 units.
- 16 3. CAP M&I capital charges associated with CAP water not yet taken should
17 continue to be deferred.
- 18 4. Consistent with Commission Decision No. 62293, the hook-up fee should
19 reflect a rate of return of 4.365 percent.
- 20 5. Citizens should annually file with the Director of Utilities a report of
21 hook-up fee revenues and an analysis of the deferral account.
22

1 6. The collection of hook-up fees will cease once all the deferred CAP costs
2 are recovered.

3 7. If, Agua Fria fails to recharge its full CAP water allocation, within the
4 proposed amortization period, the imposition of hook-up fees shall cease,
5 and remaining deferred CAP M&I costs are forfeited.

6 8. Agua Fria will file for an adjustment of the hook-up fee to reflect any
7 changes in the costs of recharge or billing determinants.

8 **III. REPLY TO STAFF TESTIMONY**

9 Citizens agrees with the Staff recommendations that a hook-up fee is appropriate for
10 recovery of deferred CAP costs, that M&I capital charges incurred in connection with CAP
11 water not yet taken should continue to be deferred, that an annual report of hook-up fees and an
12 analysis of the deferral account should be filed with the Director of Utilities, and that the
13 imposition of hook-up fees should cease when the recovery of deferred CAP M&I capital
14 charges is complete (Recommendations 1,3,5,and 6 above). However, the company respectfully
15 disagrees with the remaining Staff recommendations, for the following reasons.

16 **A. Authorized Hook-up Fees and Associated Rate of Return (Staff**
17 **Recommendation Nos. 2 and 4).**

18 Citizens' application requests the approval of hook-up fees of \$150 for age-restricted and
19 commercial equivalent units, and \$257 for conventional residential dwellings. Such fees
20 represent a levelized rate, based upon the projected numbers of customer hook-ups, and relative
21 household consumption patterns. It reflects a revenue requirement based on the balance of CAP
22 M&I capital costs deferred as of the filing date of March 29, 2000, plus the additional portion of
 estimated future payments to be deferred under the anticipated plan of phasing-in CAP water
 usage over ten years, the current 8.73% rate of return authorized by the Commission, and an

1 amortization formula that assures there will be no return earned on the deferral that is in excess
2 of that rate.

3 As indicated on Exhibit No. 3 in Citizens' application, the initial request for hook-up fees
4 anticipated a fairly prompt approval and implementation of the new deferral accounting
5 procedure. The period for total recovery of CAP M&I capital charge deferrals was then projected
6 to be ten years and three months, essentially consistent with the plan for phasing-in CAP water
7 use over ten years.

8 Staff's reduced fee level of \$127 for age-restricted dwellings and commercial equivalent
9 units, and \$218 for conventional residential dwellings does not consider the impact of ongoing
10 deferrals that have accrued during the nearly seven months that have elapsed since Citizens
11 requested approval of the CAP hook-up fee tariff. These additional deferrals will require a
12 recovery period of nearly 13 years if the hook-up fees proposed by Staff are accepted. This 13-
13 year recovery period is inconsistent with the 10-year planned phase-in of CAP water use. This
mismatching of the recovery period and planned phase-in is inappropriate.

14 The hook-up fees recommended in Staff testimony reflect a rate of return equal to only
15 one-half of the currently authorized rate of 8.73%, consistent with Commission Decision No.
16 62293, issued in connection with the application by Sun City West and Sun City Water to
17 implement groundwater savings fees. However, the circumstances with respect to Agua Fria are
18 different from those considered in connection with the previous Commission order cited by Staff.
19 As explained below, they do not warrant a halving of the rate of return. Agua Fria should be
20 allowed to charge hook-up fees which reflect the full, authorized rate of return of 8.73%.

21 The plan adopted by Sun City West and Sun City Water called for the recharge of CAP
22 water at the MWD GSF. As established on the record, the actual molecules of water delivered to

1 the MWD facility would likely not physically reach the taps of Sun City West and Sun City
2 Water customers. Accordingly, as indicated on Page 8 of Decision No. 62293, the Commission
3 found that there was not a "direct benefit to customers". As a result, for cost recovery purposes,
4 only 50 percent of the authorized 8.73% rate of return was allowed on the unamortized cost
5 deferral balance.

6 Like Sun City and Sun City West, Agua Fria will be using the MWD GSF. However,
7 unlike Sun City and Sun City West, Agua Fria's service area is nearly identical to MWD's
8 service area. As explained in Citizens response to Staff Data Request No. SMO 1-1.a (Exhibit
9 4), "any wells located in or near the service area of the entity operating the groundwater savings
10 facility are immediately benefited." Since Agua Fria's wells are located throughout MWD's
11 service area, the CAP water being recharged by Agua Fria will reach the taps of its customers.
12 There is immediate, direct benefit; thus, a full rate of return is warranted.

13 In December 1992, the Commission properly recognized that there is a time value of
14 money associated with deferred CAP M&I capital costs when it authorized Arizona Water
15 Company to accrue AFDC on its M&I capital cost deferrals in Decision No. 58120. Based on its
16 current AFDC rate, Agua Fria has already forgone the realization of approximately \$500,000 in
17 carrying charges associated with its deferred CAP M&I capital charges. The Staff
18 recommendation of allowing only one-half of the currently authorized rate of return should be
19 rejected.

20 **B. Recharge of Full CAP Allocation (Staff Recommendation No. 7).**

21 Citizens respectfully disagrees with the Staff recommendation that the hook-up fees
22 should cease and the remaining cost deferrals be forfeited if Agua Fria fails to recharge its full
CAP water allocation, Citizens' response to Staff Data Request No. SMO 1-3 (Exhibit 5), states

1 that the MWD GSF plan is only an interim measure, and not the ultimate plan for use of CAP
2 water. Instead, Agua Fria will implement a water management strategy that will include the
3 management of both groundwater and surface water. This plan will include both direct treatment
4 of CAP water and recharge of CAP water. Additionally, circumstances may arise that are
5 beyond the Company's control that could affect the planned uses of CAP water. Neither
6 contingency should automatically require a change to the hook-up fees, and clearly do not
7 warrant the forfeiture of costs already deemed to have been prudently incurred. However, the
8 Company will notify Staff of any definitive change in the manner or quantity of the actual or
9 projected use of CAP water in its annual informational report to the Director of Utilities. Staff
10 can then determine what, if any, action should be taken, based on the circumstances. Therefore,
11 the Staff recommendation to cease hook-up fees and forfeit the remaining cost deferral balances
12 should be rejected.

12 **C. Filing to Adjust Hook-up Fees (Staff Recommendation No. 8).**

13 Citizens also respectfully disagrees with the Staff recommendation that Agua Fria should
14 file for an adjustment to the hook-up fees to reflect any changes in the costs of recharge or billing
15 determinants from what are projected in the application. Such action would be unwarranted and
16 unnecessary, because the Company's application fairly considers that both the billing
17 determinates and estimated CAP M&I capital charges will undoubtedly differ from projections.
18 This is why, under the Company's proposal, there is no opportunity for earnings on the deferred
19 M&I capital cost balance in excess of the authorized rate of return. The accounting model
20 (Exhibit No. 3 and Revised Exhibit No. 3) developed in connection with the Company's
21 application is structured such that its output is produced by two variable inputs; the actual
22 balance in the deferral account and the actual revenues generated by the hook-up fees. To the

1 extent that costs lower than those estimated are deferred, or greater than projected numbers of
2 hook-ups occur in any period, the rate of amortization is correspondingly increased such that the
3 achieved return will not exceed that which has been authorized. Once the deferred costs are
4 recovered the hook-up fees will cease. Under the Staff recommendation, Agua Fria would be
5 required to file each year for an adjustment to the approved hook-up fees. This administrative
6 burden on both Agua Fria and the Commission Staff is unwarranted since there is no risk of
7 over-earning. If the actual costs and billing determinants differ sufficiently from projections to
8 warrant a hook-up fee change, Staff would be aware of this situation through Citizens' annual
9 informational report to the Director of Utilities. If Staff or Agua Fria believed that a hook-up fee
10 change is warranted, either party could request such a change at any time. For the foregoing
11 reasons, the recommendation by Staff should be rejected.

11 **IV. UPDATING OF COMPANY EXHIBITS**

12 The Company's application was filed on March 29, 2000. Subsequent to the filing, an
13 additional payment of \$266,232 for CAP M&I capital costs was made by Agua Fria, on May 5,
14 2000, and charged to the deferral account. Such payments are required semiannually, and are
15 made in advance of the six-month period to which they apply. A \$238,500 payment is scheduled
16 to be made in December 2000, for the first half of 2001. This payment is less than originally
17 projected on Exhibit 2 of the application, reflecting a favorable federal court ruling in the
18 litigation between the CAWCD and the United States Government, that resulted in the CAWCD
19 adopting a reduced price for M&I capital charges on June 22, 2000.

20 Exhibit Nos. 1, 2, and 3 in the application have been updated to reflect the full deferral of
21 the June 2000 CAP M&I capital cost payments, partial deferral of the December 2000 payment,
22 and a December 1, 2000 anticipated implementation date for the requested hook-up fees. The

1 partial deferral of the December payment reflects that portion (7,893 acre-feet) of the CAP
2 allotment not projected to be taken for recharge during 2001. As indicated on the revised Exhibit
3 3, under the proposed accounting procedure, as additional M&I payments are made during the
4 planned ten-year phase-in, the portions thereof relating to CAP water not yet taken will continue
5 to be deferred for recovery under the requested hook-up fees. The revised Exhibits portray a
6 recovery of the deferred CAP M&I capital costs over a period of ten years and six months,
7 essentially mirroring the phase-in term.

8 **V. EXPEDITED APPROVAL**

9 As established in Decision No. 60172, the decision by Citizens to acquire CAP water was
10 prudent, and as determined in Decision No. 62293, the taking of CAP water complies with the
11 Commission's "used and useful" requirement that must be met for cost recovery. Further, the
12 customers of Agua Fria will receive direct and immediate benefit from Agua Fria's use of CAP
13 water. Accordingly, full cost recovery, via the hook-up fees proposed, should now be permitted
14 to commence.

15 Since all relevant issues have been thoroughly considered in the Company's application,
16 the Staff testimony, and this Reply to Staff Testimony, Citizens respectfully requests that this
17 application be considered and a proposed order prepared by the Hearing Division and submitted
18 for Commission approval on an expedited basis, without a hearing.

19 **VI. CORRESPONDENCE**

20 All correspondence regarding these comments or this Application should be addressed to:

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Phoenix, Arizona 86016-9225

1 RESPECTFULLY SUBMITTED on November 1, 2000.

2 

3 Michael M. Grant
4 Todd C. Wiley
5 Gallagher & Kennedy
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8 Original and ten copies filed this
9 November 1, 2000, with:

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14 Copies of the foregoing mailed/delivered
15 this November 1, 2000, to:

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EXHIBIT 1

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**Agua Fria Water
Summary of CAP Deferrals**

<u>Payment Date</u>	<u>Paid by Sun City Water</u>	<u>Allocated to Agua Fria (a)</u>	<u>Paid by Agua Fria</u>	<u>Total Agua Fria Deferral</u>
Oct. 31, 1994	112,874	68,815	10,238	79,053
May 26, 1995	166,268	101,367	15,109	116,476
Nov. 30, 1995	237,525	144,810	21,585	166,395
May 31, 1996	237,525	144,810	21,585	166,395
Nov. 1, 1996	308,783	188,253	28,060	216,313
April 25, 1997	308,782	188,253	28,060	216,313
Dec. 31, 1997	380,040	231,696	34,536	266,232
May 29, 1998	380,040	231,696	34,536	266,232
Dec. 31, 1998			266,232	266,232
May 28, 1999			266,232	266,232
Dec. 3, 1999			266,232	<u>266,232</u>
		Balance at December 31, 1999		2,292,105
May 5, 2000			266,232	<u>266,232</u>
		Balance at June 30, 2000		<u><u>2,558,337</u></u>

(a) Based on ratio of acre-feet allocation (9,654/15,835)

EXHIBIT 2

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**Agua Fria Water
Distribution of Future CAP Payments**

<u>Year</u>	<u>Total Allotment Acre-ft</u>	<u>Amount Used</u>	<u>Amount Unused</u>	<u>M&I Rate</u>	<u>Amount Expensed</u>	<u>Amount Deferred</u>
2001	11,093	3,200	7,893	43	137,599	339,400
2002	11,093	4,300	6,793	43	184,899	292,100
2003	11,093	5,400	5,693	43	232,199	244,800
2004	11,093	6,500	4,593	43	279,500	197,500
2005	11,093	7,600	3,493	43	326,799	150,200
2006	11,093	8,700	2,393	43	374,099	102,900
2007	11,093	9,800	1,293	43	421,399	55,600
2008	11,093	10,900	193	43	468,699	8,300

EXHIBIT 3

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**Agua Fria Water
CAP Deferral Cost Recovery**

	Dec. 2000	Jan. 2001	Feb. 2001	Mar. 2001	Apr. 2001	May 2001	June 2001	July 2001
Deferred Cap Costs	2,558,337	2,728,037	2,728,037	2,728,037	2,728,037	2,728,037	2,897,737	2,897,737
Additional CAP Payments	169,700					169,700		
	2,728,037	2,728,037	2,728,037	2,728,037	2,728,037	2,897,737	2,897,737	2,897,737
Less: Accumulated Amortization	(31,475)	(69,397)	(107,558)	(145,959)	(184,603)	(222,571)	(260,778)	(299,485)
Net Deferred CAP Costs	2,696,562	2,658,640	2,620,479	2,582,078	2,543,434	2,675,166	2,636,959	2,598,252
Less: A.D.I.T.	(1,059,209)	(1,044,314)	(1,029,324)	(1,014,240)	(999,061)	(1,050,805)	(1,035,797)	(1,020,593)
Net CAP Investment	1,637,352	1,614,326	1,591,155	1,567,838	1,544,373	1,624,361	1,601,161	1,577,658
Return on Net Investment (a)								
L-T Debt (.2550%)	4,175	4,117	4,057	3,998	3,938	4,142	4,083	4,023
Preferred Equity (.0258%)	422	416	411	405	398	419	413	407
Common Equity (.4467%)	7,314	7,211	7,108	7,004	6,899	7,256	7,152	7,047
Total	11,912	11,744	11,576	11,406	11,235	11,817	11,648	11,477
Amortization Expense	31,475	37,921	38,161	38,402	38,644	37,968	38,207	38,707
Income Tax on Equity Returns	5,005	4,934	4,864	4,792	4,721	4,965	4,894	4,822
Revenue Requirement	48,392	54,600	54,600	54,600	54,600	54,750	54,750	55,007
Revenues Forecasted:								
Retirements Units	125	91	91	91	91	92	92	92
Revenues @ \$150	18,750	13,650	13,650	13,650	13,650	13,800	13,800	13,800
Conventional Units	113	157	157	157	157	157	157	158
Revenues @ \$257	29,041	40,349	40,349	40,349	40,349	40,349	40,349	40,606
Commercial Units	4	4	4	4	4	4	4	4
Revenues @ \$150	600	600	600	600	600	600	600	600
Total	48,391	54,599	54,599	54,599	54,599	54,749	54,749	55,006
Current Period Excess or (Deficiency)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cumulative Excess or (Deficiency)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Aug. 2001	Sep. 2001	Oct. 2001	Nov. 2001	Dec. 2001	Jan. 2002	Feb. 2002	Mar. 2002	Apr. 2002	May 2002	June 2002
2,897,737	2,897,737	2,897,737	2,897,737	2,897,737	3,043,787	3,043,787	3,043,787	3,043,787	3,043,787	3,189,837
				146,050					146,050	
2,897,737	2,897,737	2,897,737	2,897,737	3,043,787	3,043,787	3,043,787	3,043,787	3,043,787	3,189,837	3,189,837
(338,437)	(377,634)	(416,928)	(456,470)	(495,340)	(532,192)	(569,276)	(606,594)	(644,148)	(681,018)	(718,120)
2,559,300	2,520,103	2,480,809	2,441,267	2,548,447	2,511,595	2,474,511	2,437,193	2,399,639	2,508,819	2,471,717
(1,005,293)	(989,896)	(974,462)	(958,930)	(1,001,030)	(986,555)	(971,988)	(957,329)	(942,578)	(985,464)	(970,891)
1,554,007	1,530,206	1,506,347	1,482,337	1,547,417	1,525,041	1,502,523	1,479,863	1,457,061	1,523,355	1,500,827
3,963	3,902	3,841	3,780	3,946	3,889	3,831	3,774	3,716	3,885	3,827
401	395	389	382	399	393	388	382	376	393	387
6,942	6,835	6,729	6,622	6,912	6,812	6,712	6,611	6,509	6,805	6,704
11,305	11,132	10,959	10,784	11,257	11,095	10,931	10,766	10,600	11,082	10,919
38,952	39,197	39,294	39,542	38,870	36,852	37,084	37,318	37,554	36,869	37,102
4,750	4,677	4,604	4,531	4,730	4,661	4,593	4,523	4,454	4,656	4,587
55,007	55,007	54,857	54,857	54,857	52,608	52,608	52,608	52,608	52,608	52,608
92	92	92	92	92	88	88	88	88	88	88
13,800	13,800	13,800	13,800	13,800	13,200	13,200	13,200	13,200	13,200	13,200
158	158	158	158	158	151	151	151	151	151	151
40,606	40,606	40,606	40,606	40,606	38,807	38,807	38,807	38,807	38,807	38,807
4	4	3	3	3	4	4	4	4	4	4
600	600	450	450	450	600	600	600	600	600	600
55,006	55,006	54,856	54,856	54,856	52,607	52,607	52,607	52,607	52,607	52,607
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(17)

July 2002	Aug. 2002	Sep. 2002	Oct. 2002	Nov. 2002	Dec. 2002	Jan. 2003	Feb. 2003	Mar. 2003	Apr. 2003	May 2003
3,189,837	3,189,837	3,189,837	3,189,837	3,189,837	3,189,837	3,312,237	3,312,237	3,312,237	3,312,237	3,312,237
					122,400					122,400
3,189,837	3,189,837	3,189,837	3,189,837	3,189,837	3,312,237	3,312,237	3,312,237	3,312,237	3,312,237	3,434,637
(755,607)	(793,330)	(831,292)	(869,343)	(907,633)	(945,652)	(979,750)	(1,014,064)	(1,048,853)	(1,083,861)	(1,118,469)
2,434,230	2,396,507	2,358,545	2,320,494	2,282,204	2,366,585	2,332,487	2,298,173	2,263,384	2,228,376	2,316,168
(956,166)	(941,348)	(926,436)	(911,490)	(896,450)	(929,595)	(916,201)	(902,722)	(889,057)	(875,306)	(909,791)
1,478,065	1,455,159	1,432,108	1,409,004	1,385,754	1,436,990	1,416,286	1,395,451	1,374,327	1,353,070	1,406,377
3,769	3,711	3,652	3,593	3,534	3,664	3,612	3,558	3,505	3,450	3,586
381	375	369	364	358	371	365	360	355	349	363
6,603	6,500	6,397	6,294	6,190	6,419	6,327	6,233	6,139	6,044	6,282
10,753	10,586	10,419	10,251	10,081	10,454	10,303	10,152	9,998	9,844	10,231
37,487	37,724	37,962	38,051	38,291	38,018	34,098	34,314	34,789	35,008	34,608
4,518	4,448	4,377	4,307	4,236	4,392	4,329	4,265	4,201	4,136	4,299
52,758	52,758	52,758	52,608	52,608	52,865	48,731	48,731	48,988	48,988	49,138
89	89	89	89	89	89	81	81	81	81	82
13,350	13,350	13,350	13,350	13,350	13,350	12,150	12,150	12,150	12,150	12,300
151	151	151	151	151	152	140	140	141	141	141
38,807	38,807	38,807	38,807	38,807	39,064	35,980	35,980	36,237	36,237	36,237
4	4	4	4	3	3	4	4	4	4	4
600	600	600	450	450	450	600	600	600	600	600
52,757	52,757	52,757	52,607	52,607	52,864	48,730	48,730	48,987	48,987	49,137
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(18)	(19)	(20)	(21)	(22)	(23)	(23)	(24)	(25)	(26)	(27)

June 2003	July 2003	Aug. 2003	Sep. 2003	Oct. 2003	Nov. 2003	Dec. 2003	Jan. 2004	Feb. 2004	Mar. 2004	Apr. 2004
3,434,637	3,434,637	3,434,637	3,434,637	3,434,637	3,434,637	3,434,637	3,533,387	3,533,387	3,533,387	3,533,387
3,434,637	3,434,637	3,434,637	3,434,637	3,434,637	3,434,637	3,533,387	3,533,387	3,533,387	3,533,387	3,533,387
(1,153,295)	(1,188,341)	(1,223,608)	(1,259,098)	(1,294,661)	(1,330,448)	(1,365,838)	(1,398,628)	(1,431,624)	(1,464,829)	(1,498,244)
2,281,342	2,246,296	2,211,029	2,175,539	2,139,976	2,104,189	2,167,549	2,134,759	2,101,763	2,068,558	2,035,143
(896,111)	(882,345)	(868,492)	(854,552)	(840,583)	(826,525)	(851,413)	(838,533)	(825,572)	(812,529)	(799,404)
1,385,231	1,363,951	1,342,537	1,320,987	1,299,394	1,277,663	1,316,136	1,296,226	1,276,190	1,256,028	1,235,739
						98,750				
3,532	3,478	3,423	3,369	3,313	3,258	3,356	3,305	3,254	3,203	3,151
357	352	346	341	335	330	340	334	329	324	319
6,188	6,093	5,997	5,901	5,804	5,707	5,879	5,790	5,701	5,611	5,520
10,078	9,923	9,767	9,610	9,453	9,295	9,575	9,430	9,284	9,138	8,990
34,826	35,046	35,267	35,490	35,563	35,787	35,390	32,790	32,997	33,205	33,415
4,234	4,169	4,104	4,038	3,972	3,905	4,023	3,962	3,901	3,839	3,777
49,138	49,138	49,138	49,138	48,988	48,988	48,988	46,182	46,182	46,182	46,182
82	82	82	82	82	82	82	76	76	76	76
12,300	12,300	12,300	12,300	12,300	12,300	12,300	11,400	11,400	11,400	11,400
141	141	141	141	141	141	141	133	133	133	133
36,237	36,237	36,237	36,237	36,237	36,237	36,237	34,181	34,181	34,181	34,181
4	4	4	4	3	3	3	4	4	4	4
600	600	600	600	450	450	450	600	600	600	600
49,137	49,137	49,137	49,137	48,987	48,987	48,987	46,181	46,181	46,181	46,181
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(27)	(28)	(29)	(30)	(31)	(31)	(32)	(33)	(34)	(34)	(35)

May 2004	June 2004	July 2004	Aug. 2004	Sep. 2004	Oct. 2004	Nov. 2004	Dec. 2004	Jan. 2005	Feb. 2005	Mar. 2005
3,533,387	3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,707,237	3,707,237	3,707,237
98,750							75,100			
3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,632,137	3,707,237	3,707,237	3,707,237	3,707,237
(1,531,397)	(1,564,759)	(1,598,332)	(1,632,117)	(1,666,374)	(1,700,696)	(1,735,235)	(1,769,517)	(1,801,495)	(1,833,674)	(1,866,056)
2,100,740	2,067,378	2,033,805	2,000,020	1,965,763	1,931,441	1,896,902	1,937,720	1,905,742	1,873,563	1,841,181
(825,171)	(812,066)	(798,879)	(785,608)	(772,152)	(758,670)	(745,103)	(761,136)	(748,576)	(735,936)	(723,216)
1,275,569	1,255,312	1,234,926	1,214,412	1,193,611	1,172,771	1,151,799	1,176,583	1,157,167	1,137,628	1,117,965
3,253	3,201	3,149	3,097	3,044	2,991	2,937	3,000	2,951	2,901	2,851
329	324	319	313	308	303	297	304	299	294	288
5,698	5,607	5,516	5,425	5,332	5,239	5,145	5,256	5,169	5,082	4,994
9,280	9,132	8,984	8,835	8,684	8,532	8,379	8,560	8,418	8,276	8,133
33,153	33,362	33,573	33,785	34,257	34,322	34,539	34,283	31,977	32,179	32,382
3,899	3,837	3,775	3,712	3,648	3,585	3,521	3,596	3,537	3,477	3,417
46,332	46,332	46,332	46,332	46,589	46,439	46,439	46,439	43,933	43,933	43,933
77	77	77	77	77	77	77	77	73	73	73
11,550	11,550	11,550	11,550	11,550	11,550	11,550	11,550	10,950	10,950	10,950
133	133	133	133	134	134	134	134	126	126	126
34,181	34,181	34,181	34,181	34,438	34,438	34,438	34,438	32,382	32,382	32,382
4	4	4	4	4	3	3	3	4	4	4
600	600	600	600	600	450	450	450	600	600	600
46,331	46,331	46,331	46,331	46,588	46,438	46,438	46,438	43,932	43,932	43,932
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(36)	(37)	(37)	(38)	(39)	(40)	(40)	(41)	(42)	(42)	(43)

Apr. 2005	May 2005	June 2005	July 2005	Aug. 2005	Sep. 2005	Oct. 2005	Nov. 2005	Dec. 2005	Jan. 2006	Feb. 2006
3,707,237	3,707,237	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,833,787	3,833,787
	75,100							51,450		
3,707,237	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,782,337	3,833,787	3,833,787	3,833,787
(1,898,643)	(1,931,220)	(1,964,002)	(1,996,992)	(2,030,190)	(2,063,748)	(2,097,367)	(2,131,198)	(2,164,919)	(2,193,658)	(2,222,579)
1,808,594	1,851,117	1,818,335	1,785,345	1,752,147	1,718,589	1,684,970	1,651,139	1,668,868	1,640,129	1,611,208
(710,416)	(727,119)	(714,242)	(701,284)	(688,244)	(675,062)	(661,856)	(648,567)	(655,531)	(644,243)	(632,883)
1,098,178	1,123,998	1,104,093	1,084,062	1,063,904	1,043,527	1,023,114	1,002,571	1,013,337	995,886	978,325
2,800	2,866	2,815	2,764	2,713	2,661	2,609	2,557	2,584	2,540	2,495
283	290	285	280	274	269	264	259	261	257	252
4,906	5,021	4,932	4,843	4,752	4,661	4,570	4,478	4,527	4,449	4,370
7,989	8,177	8,032	7,887	7,740	7,592	7,443	7,294	7,372	7,245	7,117
32,587	32,577	32,783	32,990	33,198	33,558	33,619	33,831	33,720	28,739	28,921
3,357	3,436	3,375	3,314	3,252	3,190	3,127	3,064	3,097	3,044	2,990
43,933	44,190	44,190	44,190	44,190	44,340	44,190	44,190	44,190	39,029	39,029
73	73	73	73	73	74	74	74	74	78	78
10,950	10,950	10,950	10,950	10,950	11,100	11,100	11,100	11,100	11,700	11,700
126	127	127	127	127	127	127	127	127	104	104
32,382	32,639	32,639	32,639	32,639	32,639	32,639	32,639	32,639	26,728	26,728
4	4	4	4	4	4	3	3	3	4	4
600	600	600	600	600	600	450	450	450	600	600
43,932	44,189	44,189	44,189	44,189	44,339	44,189	44,189	44,189	39,028	39,028
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
(44)	(44)	(45)	(46)	(46)	(47)	(47)	(48)	(49)	(49)	(50)

Mar. 2006	Apr. 2006	May 2006	June 2006	July 2006	Aug. 2006	Sep. 2006	Oct. 2006	Nov. 2006	Dec. 2006	Jan. 2007
3,833,787	3,833,787	3,833,787	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,913,037
		51,450							27,800	
3,833,787	3,833,787	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,885,237	3,913,037	3,913,037
(2,251,682)	(2,280,970)	(2,310,117)	(2,339,448)	(2,368,965)	(2,398,667)	(2,428,709)	(2,458,788)	(2,489,317)	(2,519,862)	(2,546,699)
1,582,105	1,552,817	1,575,120	1,545,789	1,516,272	1,486,570	1,456,528	1,426,449	1,395,920	1,393,175	1,366,338
(621,451)	(609,947)	(618,707)	(607,186)	(595,592)	(583,925)	(572,124)	(560,309)	(548,317)	(547,239)	(536,697)
960,654	942,871	956,413	938,603	920,681	902,645	884,404	866,140	847,603	845,936	829,640
2,450	2,404	2,439	2,393	2,348	2,302	2,255	2,209	2,161	2,157	2,116
248	243	247	242	238	233	228	223	219	218	214
4,291	4,212	4,272	4,193	4,113	4,032	3,951	3,869	3,786	3,779	3,706
6,989	6,859	6,958	6,828	6,698	6,567	6,434	6,301	6,166	6,154	6,036
29,103	29,287	29,147	29,331	29,516	29,703	30,041	30,080	30,528	30,546	26,837
2,936	2,882	2,923	2,869	2,814	2,759	2,703	2,647	2,591	2,586	2,536
39,029	39,029	39,029	39,029	39,029	39,029	39,179	39,029	39,286	39,286	35,408
78	78	78	78	78	78	79	79	79	79	71
11,700	11,700	11,700	11,700	11,700	11,700	11,850	11,850	11,850	11,850	10,650
104	104	104	104	104	104	104	104	105	105	94
26,728	26,728	26,728	26,728	26,728	26,728	26,728	26,728	26,985	26,985	24,158
4	4	4	4	4	4	4	3	3	3	4
600	600	600	600	600	600	600	450	450	450	600
39,028	39,028	39,028	39,028	39,028	39,028	39,178	39,028	39,285	39,285	35,408
(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)
(50)	(51)	(51)	(52)	(53)	(53)	(54)	(54)	(55)	(55)	(56)

Feb. 2007	Mar. 2007	Apr. 2007	May 2007	June 2007	July 2007	Aug. 2007	Sep. 2007	Oct. 2007	Nov. 2007	Dec. 2007
3,913,037	3,913,037	3,913,037	3,913,037	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837
			27,800							4,150
3,913,037	3,913,037	3,913,037	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837	3,940,837	3,944,987
(2,573,706)	(2,600,883)	(2,628,490)	(2,656,095)	(2,683,876)	(2,711,982)	(2,740,266)	(2,768,728)	(2,797,219)	(2,825,890)	(2,854,716)
1,339,331	1,312,154	1,284,547	1,284,742	1,256,961	1,228,855	1,200,571	1,172,109	1,143,618	1,114,947	1,090,271
(526,089)	(515,414)	(504,570)	(504,646)	(493,734)	(482,694)	(471,584)	(460,404)	(449,213)	(437,951)	(428,258)
813,242	796,740	779,977	780,095	763,227	746,161	728,987	711,705	694,405	676,996	662,013
2,074	2,032	1,989	1,989	1,946	1,903	1,859	1,815	1,771	1,726	1,688
210	206	201	201	197	193	188	184	179	175	171
3,633	3,559	3,484	3,485	3,409	3,333	3,256	3,179	3,102	3,024	2,957
5,916	5,796	5,674	5,675	5,552	5,428	5,303	5,178	5,052	4,925	4,816
27,006	27,177	27,607	27,606	27,780	28,106	28,284	28,462	28,491	28,671	28,826
2,486	2,435	2,384	2,384	2,333	2,281	2,228	2,175	2,123	2,069	2,024
35,408	35,408	35,665	35,665	35,665	35,815	35,815	35,815	35,665	35,665	35,665
71	71	71	71	71	72	72	72	72	72	72
10,650	10,650	10,650	10,650	10,650	10,800	10,800	10,800	10,800	10,800	10,800
94	94	95	95	95	95	95	95	95	95	95
24,158	24,158	24,415	24,415	24,415	24,415	24,415	24,415	24,415	24,415	24,415
4	4	4	4	4	4	4	4	3	3	3
600	600	600	600	600	600	600	600	450	450	450
35,408	35,408	35,665	35,665	35,665	35,815	35,815	35,815	35,665	35,665	35,665
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(56)	(57)	(57)	(57)	(58)	(58)	(59)	(59)	(60)	(60)	(60)

Jan. 2008	Feb. 2008	Mar. 2008	Apr. 2008	May 2008	June 2008	July 2008	Aug. 2008	Sep. 2008	Oct. 2008	Nov. 2008
3,944,987	3,944,987	3,944,987	3,944,987	3,944,987	3,949,137	3,949,137	3,949,137	3,949,137	3,949,137	3,949,137
3,944,987	3,944,987	3,944,987	3,944,987	3,949,137	3,949,137	3,949,137	3,949,137	3,949,137	3,949,137	3,949,137
(2,879,520)	(2,904,481)	(2,929,600)	(2,954,877)	(2,980,438)	(3,006,161)	(3,032,046)	(3,058,094)	(3,084,307)	(3,110,535)	(3,136,928)
1,065,467	1,040,506	1,015,387	990,110	968,699	942,976	917,091	891,043	864,830	838,602	812,209
(418,515)	(408,711)	(398,844)	(388,915)	(380,505)	(370,401)	(360,233)	(350,002)	(339,705)	(329,403)	(319,036)
646,951	631,795	616,543	601,195	588,194	572,575	556,858	541,041	525,125	509,199	493,174
1,650	1,611	1,572	1,533	1,500	1,460	1,420	1,380	1,339	1,298	1,258
167	163	159	155	152	148	144	140	135	131	127
2,890	2,822	2,754	2,686	2,627	2,558	2,487	2,417	2,346	2,275	2,203
4,707	4,596	4,485	4,374	4,279	4,165	4,051	3,936	3,820	3,704	3,588
24,804	24,961	25,118	25,277	25,561	25,723	25,885	26,048	26,213	26,227	26,393
1,977	1,931	1,885	1,838	1,798	1,750	1,702	1,654	1,605	1,556	1,507
31,488	31,488	31,488	31,488	31,638	31,638	31,638	31,638	31,638	31,488	31,488
62	62	62	62	63	63	63	63	63	63	63
9,300	9,300	9,300	9,300	9,450	9,450	9,450	9,450	9,450	9,450	9,450
84	84	84	84	84	84	84	84	84	84	84
21,588	21,588	21,588	21,588	21,588	21,588	21,588	21,588	21,588	21,588	21,588
4	4	4	4	4	4	4	4	4	3	3
600	600	600	600	600	600	600	600	600	450	450
31,488	31,488	31,488	31,488	31,638	31,638	31,638	31,638	31,638	31,488	31,488
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(61)	(61)	(62)	(62)	(62)	(63)	(63)	(63)	(64)	(64)	(64)

Dec. 2008	Jan. 2009	Feb. 2009	Mar. 2009	Apr. 2009	May 2009	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009
3,949,137	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348
5,211										
3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348
(3,163,454)	(3,189,890)	(3,216,492)	(3,243,263)	(3,270,202)	(3,297,462)	(3,324,895)	(3,352,500)	(3,380,280)	(3,408,236)	(3,436,216)
790,894	764,458	737,856	711,085	684,146	656,886	629,453	601,848	574,068	546,112	518,132
(310,663)	(300,279)	(289,830)	(279,314)	(268,733)	(258,025)	(247,249)	(236,406)	(225,494)	(214,513)	(203,522)
480,231	464,179	448,026	431,771	415,413	398,861	382,204	365,442	348,574	331,599	314,610
1,225	1,184	1,142	1,101	1,059	1,017	975	932	889	846	802
124	120	116	111	107	103	99	94	90	86	81
2,145	2,073	2,001	1,929	1,856	1,782	1,707	1,632	1,557	1,481	1,405
3,494	3,377	3,259	3,141	3,022	2,902	2,781	2,659	2,536	2,412	2,289
26,527	26,436	26,602	26,770	26,939	27,260	27,432	27,606	27,780	27,955	27,981
1,468	1,419	1,369	1,320	1,270	1,219	1,168	1,117	1,065	1,014	962
31,488	31,231	31,231	31,231	31,231	31,381	31,381	31,381	31,381	31,381	31,231
63	62	62	62	62	63	63	63	63	63	63
9,450	9,300	9,300	9,300	9,300	9,450	9,450	9,450	9,450	9,450	9,450
84	83	83	83	83	83	83	83	83	83	83
21,588	21,331	21,331	21,331	21,331	21,331	21,331	21,331	21,331	21,331	21,331
3	4	4	4	4	4	4	4	4	4	3
450	600	600	600	600	600	600	600	600	600	450
31,488	31,231	31,231	31,231	31,231	31,381	31,381	31,381	31,381	31,381	31,231
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(64)	(65)	(65)	(65)	(65)	(66)	(66)	(66)	(66)	(67)	(67)

[illegible]

Oct. 2010	Nov. 2010	Dec. 2010	Jan. 2011	Feb. 2011	Mar. 2011	Apr. 2011	May 2011
3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348
3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348	3,954,348
(3,746,028)	(3,772,089)	(3,798,572)	(3,825,331)	(3,852,259)	(3,879,356)	(3,906,625)	(3,934,066)
208,320	182,259	155,776	129,017	102,089	74,992	47,723	20,282
(81,828)	(71,591)	(61,189)	(50,678)	(40,101)	(29,457)	(18,746)	(7,967)
126,492	110,668	94,587	78,339	61,989	45,535	28,977	12,315
323	282	241	200	158	116	74	31
33	29	24	20	16	12	7	3
565	494	423	350	277	203	129	55
920	805	688	570	451	331	211	90
25,897	26,061	26,484	26,759	26,928	27,098	27,269	27,441
387	338	289	239	189	139	89	38
27,204	27,204	27,461	27,568	27,568	27,568	27,568	27,568
55	55	55	53	53	53	53	53
8,250	8,250	8,250	7,950	7,950	7,950	7,950	7,950
72	72	73	74	74	74	74	74
18,504	18,504	18,761	19,018	19,018	19,018	19,018	19,018
3	3	3	4	4	4	4	4
450	450	450	600	600	600	600	600
27,204	27,204	27,461	27,568	27,568	27,568	27,568	27,568
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
(68)	(68)	(68)	(68)	(68)	(69)	(69)	(69)

EXHIBIT 4

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**CITIZENS UTILITIES COMPANY
AGUA FRIA WATER DIVISION
DOCKET NO. W-01032B-00-0205
ARIZONA CORPORATION COMMISSION STAFF'S
FIRST SET OF DATA REQUEST**

WITNESS: TERRI SUE C. ROSSI

DATA REQUEST NO. SMO 1-1:

On page 5 of the application, Citizens states that the MWD's boundaries are nearly identical to the certificated area of Agua Fria.

- a. Please explain how this alignment of service areas would benefit the Agua Fria customers if Agua Fria uses the MWD Recharge Facility.

RESPONSE:

- a. Groundwater savings facilities do not use basins or recharge wells to recharge water. Instead, the "facility" is actually an irrigation district, farm or some other groundwater user. The facility uses another entity's CAP water (or other renewable supply) to replace historic groundwater pumping from existing wells leaving groundwater in the aquifer that would otherwise have been pumped. By curtailing pumping, the entity (e.g. irrigation district, farm, golf course, etc.) has saved groundwater in its service area.

The impact to the aquifer is immediate and widespread, unlike an underground storage facility, where the water is applied in a single location and over time the water applied moves vertically from the land surface into the water table. Upon reaching the water table, the water spreads horizontally and outward from the recharge facility creating an "area of hydrologic impact". With a groundwater savings facility, the area of hydrologic impact is the entire service area of the entity operating the groundwater savings facility (e.g. the boundaries of the irrigation district) since the wells normally operated by the facility are no longer pumped.

DATA RESPONSE NO. SMO 1-1 CONT'D:

Any wells located in or near the service area of the entity operating the groundwater savings facility are immediately benefited.

The Maricopa Water District (MWD) is an irrigation district located in the same geographic area as Agua Fria. The Agua Fria Water Company was established in 1961 as the potable provider for MWD. In 1975, the Agua Fria Water Company was purchased by Citizens and became Citizens' Agua Fria Division. With the exception of some minor changes made to accommodate the City of Surprise's service area (section 5 and small parts of 6 and 17), the boundaries are identical.

Therefore, all groundwater saved from reduced pumping of MWD wells, is an immediate benefit to Agua Fria since its wells are located throughout MWD's service area and draw from the same aquifer. In fact, some of MWD's wells are actually used by Agua Fria to supply water to its customers. As such, MWD and Agua Fria are ideal entities to partner in a groundwater savings project where MWD operates the facility and Agua Fria stores CAP water.

EXHIBIT 5

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**CITIZENS UTILITIES COMPANY
AGUA FRIA WATER DIVISION
DOCKET NO. W-01032B-00-0205
ARIZONA CORPORATION COMMISSION STAFF'S
FIRST SET OF DATA REQUEST**

WITNESS: TERRI SUE C. ROSSI

DATA REQUEST NO. SMO 1-3:

Is use of the MWD Recharge Facility Citizens' ultimate plan for the use of the Agua Fria CAP water? If not, what is Citizens' long range plan for the use of the Agua Fria CAP water?

RESPONSE:

No, it is not the ultimate plan. To the extent that MWD continues to provide water for irrigation purposes, Agua Fria will use this facility as a part of its overall water management strategy. When MWD is fully urbanized, however, opportunities to offset the groundwater demands of farmers will not exist because there will be no farms to irrigate. Build-out in Agua Fria is projected at over 40 years from today.

Citizens is in the process of developing a water master plan for Agua Fria that, in the preliminary stages, has concluded that Agua Fria cannot depend on groundwater indefinitely due to groundwater quality concerns and due to shortfalls in groundwater supplies.

Instead, Agua Fria will implement a water management strategy that will include the conjunctive management of groundwater and surface water. This will include combination of direct treatment and recharge including groundwater savings projects.